

PERFORMANCE AUDIT
OF

City of Jasper

Jasper Water Storage Tank

Grant: GA-16235

OIG Report Number: 14-14

GRANT PERIOD: SEPTEMBER 30, 2009 – JULY 1, 2013

WATKINS | MEEGAN

Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Suite 700
Washington, DC 20009-1068

Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of City of Jasper Water Storage Tank Grant GA-16235. The report is in response to Contract No. BPA 11-01-B.

A handwritten signature in black ink that reads "Watkins Meegan LLC". The script is fluid and cursive, with the letters "W", "M", and "L" being particularly prominent.

Tysons, Virginia
March 14, 2014

Jasper Water Storage Tank Project

GA-16235

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state and local governments. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair who is appointed by the President. Local participation is provided through multi-county local development districts (LDDs). Each year, ARC provides funding for several hundred projects in the Appalachian Region, in areas such as business development, education and job training, telecommunications, infrastructure, community development, housing and transportation. These projects help create new jobs; improve local water and sewer systems; increase school readiness; expand access to health care; assist local communities with strategic planning; and provide technical and managerial assistance to emerging businesses.

The City of Jasper (Grantee) is the county seat of Pickens County, Georgia. Pickens County is classified as a transitional county. The Grantee requested grant funding from ARC to support the construction of a 500,000-gallon water storage tank and install 9,000 linear feet of supply line near the southern section of the Appalachian Development (APD) Highway 515. The target area was considered a rapidly growing commercial area with several properties in various stages of development. A big box retailer was to construct a new 155,000-square-foot store and an existing hospital had planned a 40-bed expansion project. Proposed development also included a new 80-acre shopping center and a 106-acre retail/mixed-used development. This development was to significantly increase peak hour demand for water supplies as well as require improved fire protection flows thus creating the need for additional water storage.

On September 30, 2009, ARC approved the Jasper Water Storage Tank Project Grant, number GA-16235 (Grant), in the amount of \$300,000 to the City of Jasper. The project was finalized and closed by ARC on July 1, 2013. Required matching funds from local sources totaled \$700,000, for a total funding amount of \$1,000,000. The sources of funding are shown in the table below:

Funding Source	Amount	Percentage
Appalachian Regional Commission (ARC)	\$300,000	30%
Georgia Environmental Finance Authority (GEFA)	\$700,000	70%
Total	\$1,000,000	100%

The U.S. Department of Agriculture (USDA) Rural Development (RD) administered the Grant on behalf of ARC in accordance with the terms of a memorandum of agreement between ARC and USDA. RD financial programs support public facilities and services such as water and sewer systems, housing, health clinics, emergency service facilities, and electric and telephone service. RD promotes economic development by supporting loans and providing technical assistance to businesses and community organizations. RD provided support to the Grantee during the application and assessment phases, reviewed and approved expenditures, and reimbursed the Grantee with Grant funds obtained from ARC. The Grantee was responsible for managing the application process, approving financial transactions, documenting project outcomes and otherwise monitoring project activity to ensure successful completion.

City of Jasper

Jasper Water Storage Tank Project

GA-16235

Objective

Watkins Meegan LLC was engaged to conduct a performance audit of the City of Jasper, Jasper Water Storage Tank Grant for the period September 30, 2009 to July 1, 2013. The purpose of our performance audit was to determine the following:

- Funds expended and claimed for reimbursement from ARC and matching funds reported to ARC were valid program expenses and in accordance with the ARC Grant requirements;
- Internal controls were in place to ensure compliance with the Grant requirements; and
- Goals and objectives of the Grant had been achieved.

Executive Summary

Grant funds were used to assist in the construction of a new 500,000-gallon water storage tank and installation of 9,000 linear feet of supply line near the southern section of APD Highway 515 in Pickens County, Georgia.

On behalf of ARC, RD reimbursed \$300,000 in ARC funds to the Grantee during the period of the Grant. Matching contributions of \$770,758 were incurred by the Grantee, comprising \$700,000 from GEFA in the form of a low-interest loan to the Grantee and \$70,758 contributed by the Grantee. Total expenditures for the Grant were \$1,070,758.

Through review of reported expenditures, we noted that all appeared to be valid, adequately supported and in direct relation to supporting the Grant and its objectives. In addition, through inquiry and observation, we determined that the construction work covered by the Grant had been completed. However, not all stated performance objectives of the Grant had been met at the time of the audit.

Scope

We completed a performance audit of the City of Jasper Water Storage Tank Project Grant GA-16235 at the City Hall of Jasper from February 17-19, 2014, as described under this section and under the audit methodology section. Our audit was based on the terms of the Grant agreement and on the application of procedures in the modified ARC Audit Program.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Jasper Water Storage Tank Project

GA-16235

Audit Methodology

Our procedures were based on the Audit Program guidelines provided by the ARC Office of the Inspector General and included suggested procedures over the Grantee's accounting and internal control systems affecting the Grant. We met with the City Clerk/Finance Director and Mayor to discuss the Grantee's overall structure and processes around Grant administration and monitoring. We also discussed and reviewed other financial and operational elements related to the conduct of the program. We interviewed representatives from RD and the engineering firm engaged by the Grantee to assist with the management of the project to understand the various roles and responsibilities for each of the parties involved in the administration of the Grant funds and the execution of the project.

Our review of background material included the Grantee's application, other Grant-related documentation from ARC's grant management system, and the Grantee's external audit report for the calendar years ended December 31, 2010, 2011 and 2012.

We reviewed controls in place for recording, accumulating and reporting costs under the Grant and observed and made inquiries regarding whether the goals and objectives of the project had been met, including physically inspecting the construction work supported by the Grant.

Results

Compliance with Grant Provisions

Grant funds were used to assist in the construction of a new 500,000-gallon water storage tank and installation of 9,000 linear feet of supply line near the southern section of APD Highway 515, in Pickens County, Georgia.

RD reimbursed \$300,000 in ARC funds to the Grantee during the period of the Grant. Matching contributions of \$770,758 were identified, comprising \$700,000 from GEFA in the form of a low-interest loan to the Grantee and the remaining \$70,758 contributed by the Grantee. Total expenditures for the Grant were \$1,070,758.

We examined supporting documentation for all of the expenses incurred against the Grant. All expenditures tested during the audit appeared to be valid, adequately supported and in direct relation to supporting the Grant and its objectives. We also noted that the Grantee had appropriate procedures in place to monitor contractor compliance with Davis-Bacon Act fair wage requirements. Through inquiry, review and observation, we sought to validate the outputs and outcomes expected from the Grant award as detailed in the Grant approval memo. Anticipated outputs were the construction of a 500,000-gallon water storage tank and the installation of approximately 9,000 linear feet of supply lines. The anticipated outcome measure included in the Grant approval memo was to create 300 new jobs within two years.

During fieldwork for the audit, we physically inspected the new water storage tank. We also requested evidence from the Grantee regarding the number of new jobs that were created as a result of the water storage tank construction and installation of the supply line and determined that the performance measure of creating 300 jobs within two years had not yet been met.

Jasper Water Storage Tank Project

GA-16235

Results (Continued)

Compliance with Grant Provisions (Continued)

Through discussion with the Grantee, it was noted that the City of Jasper's economy is currently in the midst of a recession. Consequently, numerous businesses have closed their doors, land development has stalled, and businesses that were expected to open their doors upon completion of the water storage tank have not been able to do so. As a result, the City of Jasper's local economy has experienced a net loss in jobs over the last two years. With the infrastructure now in place, the Grantee remains hopeful that the economy will recover and that the existence of the new water tank will be a catalyst to encourage new businesses to set up in the area. At the time of the audit fieldwork, the project was still within the two-year period to accomplish the outcome measure cited in the Grant approval memo. We recommend that ARC continue to monitor the anticipated job creation metrics through their validation processes.

